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26 October 1951

CIA No. 49410 Copy No. 143

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

Army, USAF, DIA and State Department review(s) completed.

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SECTION 1 (SOVIET)

1. USSR. Soviet propaganda gears for international conferences: On 24 October, Moscow published the slogans for the 34th anniversary of the October Revolution, an Izvestia article devoted to the 6th anniversary of the UN, and a New Times editorial on Soviet-American relations.

New slogans exhorted the world's Peace Partisans to insist upon a Five Power Peace Pact and to struggle against the revival of German and Japanese militarism. Soviet soldiers were told to perfect their military art and strengthen the might of the USSR's military forces. Another new slogan — "Long live the foreign policy of the Soviet Union, the policy of peace and security, equality and friendship between nations" — was elaborated upon in the <u>Izvestia</u> article on the United Nations.

Concurrently, New Times published its list of "unsettled international problems of the first degree of importance . . . which are the direct cause of disagreement between the US and USSR." Again the Japanese and German problems were mentioned, as well as the prohibition of atomic weapons and the establishment of international control, reduction of armed forces, and the conclusion of a peace pact.

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Comment: Although there were no new themes in evidence, the accumulation of material for simultaneous release by various media gives weight to this summary of current Soviet propaganda. It is this propaganda line which will probably be followed at the World Peace Council meeting which opens in Vienna on 1 November, and at the UN General Assembly beginning in Paris on 6 November. It is probable also, that these themes will be further developed in the official speeches in connection with the anniversary of the October Revolution to be celebrated on 7 November. The absence of any specific comment on the Korean situation is noteworthy.

Moscow propaganda devotes much attention to Egyptian situation:
The Soviet press in the past several weeks has carried not only lengthy news items on "British aggressive acts" in the Suez Canal area, and on the reported Arab solidarity demonstrations for Egypt, but has devoted itself to outspoken official commentary on the situation. Recent Pravda and Izvestia articles have stressed Anglo-American "aggressive designs" in attempting to "enslave" Egypt in a Middle East Command, and have lengthily reviewed the past history of British "aggression"

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in Egypt. The Anglo-American rivalry theme has had similar heavy play.

Some intimations of the revolutionary possibilities in Egypt have been noted through emphasis on workers "in the fore" of the "struggle for independence." There has been no criticism of the Egyptian Government or ruling class, however, and Prayda blames the poverty of the Egyptian peasants wholly on British rule.

Comment: As Anglo-Egyptian relations have deteriorated in the past two weeks, Soviet propaganda has increasingly played up the situation, and has sought to encourage Arab nationalism and to pose as the champion of Egypt's aspirations.

In the case of Egypt, as well as in the Iranian situation, Moscow has refrained from attacking the national governments.

3. Soviet forest belts need improved care: Commemorating the 34th anniversary of the October Revolution, a <u>Pravda</u> editorial recently stated that since publication of the "transformation of nature" decree three years ago, forest plantations over an area of 2 million hectares had been set up in the European USSR.

Pravda complained, however, that insufficient attention had been paid in a number of collective and state farms to keeping these plantations free from undergrowth. For example, the shelter belts on a number of farms of Krasnodar Krai were reported to be so neglected that they had to be replanted. Care of forest plantations was described as unsatisfactory in Stravropol Krai, Rostov, Penza, and other oblasts.

In conclusion, <u>Pravda</u> recalled that the main responsibility for the success of the plan for the transformation of nature rested with the <u>Ministries</u> of Agriculture, Forestry and State Farms.

4. CZECHOSLOVAKIA. Czechoslovaks reportedly planning MIG-15 production:
The US Embassy in Prague has received information that the Czechoslovaks will soon begin production of MIG-15s. The Aero Factory at Letnany (near Prague) reportedly is being tooled up for this purpose.

<u>Comment</u>? A previous report stated that the Aero plant received MIG-15 production plans in May 1951 for the completion of about ten

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aircraft by May 1952. It is not known whether they intended to produce airframes and assemble planes or to make engines as well. In any case, it is unlikely that Czechoslovakia will be able to produce large numbers of MIG-15 aircraft within the near future.

Prior to and during World War II Aero was considerably enlarged and produced fighter planes and parts for the German air force. Since the war the Aero factory has produced primarily light planes and automobiles.

Indicated that work on plans, drawings and a prototype design for a Czechoslovak jet fighter apparently never reached fruition.

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order stipulated that every Hungarian parish submit full particulars on all priests and monks under its jurisdiction. Information on past and present profession, pensions, emoluments and exact address, in addition to other data, was to be included. The US Legation Budapest comments that the census appears to be the initial part of a new drive to crack down on the anti-government elements among the lower clergy who comprise the core of resistance to nationalization of the Church.

<u>Comment</u>: Pro-Communist clerical leaders have repeatedly stated that every Catholic priest must join the peace movement. Recent criticism of the lower clergy for refusing to take part in the peace campaign, however, indicates that there is some opposition despite the endorsement of the movement by the Bench of Bishops in July. The current census may be a prelude to the removal from office of recalcitrant priests who would then be put to work considered socially more useful.

6. Deportees allegedly sent to USSR: Eighteen thousand physically fit young men among those deported recently from Budapest are being sent to the Soviet Union as slave laborers.

Comment: Identical information was contained in a press report from Vienna on 16 August. There has been no reliable information, however, that the deportees were being sent to the USSR. On the other hand, innumerable dependable reports have been received that they are being resettled in villages throughout Eastern Hungary and compelled to do agricultural work.

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1. INDIA. Communist Party displays its current weakness: S. A. Dange, secretary of the election board of the Communist Party of India, has announced that his party will nominate candidates for 500 of the 3500 legislature seats to be contested in the forthcoming Indian national elections. He says that the Communist Party, which now has a membership of 30,000, is nowhere strong enough to defeat the ruling Congress Party by itself. He maintains, however, that in West Bengal and Hyderabad States a leftist coalition could do so.

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Comment: The Indian Communist Party has been torn by dissension for over a year, and the announcement that it will contest only 15 percent of the seats in the elections is a good indication of the party's current weakness on a national political scale. It is uncertain whether the present ban on the party in Hyderabad State will be lifted before the elections. In West Bengal, the Communists may win some seats though it is improbable that they can obtain a majority of them. Recent announcements by Communists of their lack of strength and of their peaceful intentions are unlikely to cause the Indian Government precipitately to relax its restrictions on their activities.

2. Parliament passes the Industries Development and Control Act: On 12 October, the Indian Parliament passed the Industries Development and Control Act, first submitted to it in April 1948. This act provides for centralized control by the Indian Government of the registration and licensing of existing and new businesses and for government supervision of the future development of 37 key industries. It establishes a Central Advisory Council, including representatives of management, labor, and the consumer, to advise on matters of development and regulation of key industries. The council is to be consulted by the government before the latter takes disciplinary action or assumes temporary management (for a period not to exceed five years) of firms found to be operating in a manner detrimental to the public interest. The act also provides for government establishment of ancillary development councils to advise on problems in specific industries and to act as liaison agents between the government and those industries when desirable.

<u>Comment</u>: This act lays the ghost of widespread nationalization of industry, which since 1947 has prevented Indian and foreign businessmen from investing heavily in new Indian enterprises. It does not, however, remove many of the problems now facing Indian industrialists. Chief among these is that of government inefficiency in administration, a situation not likely to be much improved in the near future. Additional difficulties existing in the supply of materials, the acquisition and training of technical personnel, and the construction of facilities will

probably help to prevent an immediate increase in the rate of India's industrial development.

3. INDONESIA. Foreign Office confirms government's consideration of rice deal with Communist China: An official of the Foreign Ministry told an Indonesian news reporter that the government had considered the possibility of importing 200,000 tons of rice from Communist China but had been unable to determine whether China was serious about the matter. The official stated that the government is still prepared to conclude a barter agreement if China's offer is not mere propaganda.

The US Embassy interprets the Foreign Office statement as part of the government's reply to criticism that it had paid too little attention to sources of rice supply and also as a deliberately unfavorable comment on the Chinese Communists.

<u>Comment</u>: Several reports were received last spring to the effect that Communist China had approached Indonesia regarding the exchange of rice for rubber. The above would indicate that the matter never reached the stage of negotiations.

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The government still desires additional rice imports but is unlikely to conclude a barter agreement with China. The only Indonesian products China needs are rubber and petroleum, neither of which Indonesia is free to export, since it agreed to the UN-sponsored embargo of strategic materials to Communist China. It therefore appears that the purpose of the Foreign Office statement was chiefly to counter domestic criticism regarding the quantity of rice imports.

5. THAILAND. Thai considered capable of meeting any internal Communist uprising: In its semi-annual MDAP report, the US Embassy in Bangkok states that the Thai armed forces, with the exception of the navy, which took a severe beating in the abortive June coup, have made good progress

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1		INDOCHINA. Rift develops between De Lattre and Vietnamese Premier: General de Lattre told US Minister Heath that Premier Huu has been financing an anti-De Lattre campaign among French politicians, has arro- gated too much power to himself, and has failed to push the development of the Vietnamese army. De Lattre clearly indicated that he would seek, at Huu's expense, to strengthen the position of Bao Dai as the dominant Vietnamese political figure.							
4		<u>Comment</u> : This situation illustrates the complexity and instability of Vietnamese politics. There are three "chiefs" Bao Dai, Huu, and De Lattre none of whose responsibilities has been clearly defined. De Lattre is the real repository of power but must maneuver behind the scenes to avoid offending Vietnamese sensibilities.							
25X1	7.	De Lattre favors a monarchy for Vietnem: General de Lattre stated in a conversation with Minister Heath that monarchy was a necessary stage for Vietnam at the present. Referring to his recent visit to the Vatican, De Lattre quoted the Pope as heartily agreeing that France was fighting Christianity's war in Indochina and should be supported.							
		<u>Comment</u> : Recent statements by De Lattre and Bao Dai indicate the development of an understanding between them at the expense of Tran Van Huu, reversing the situation which obtained in the spring, when Huu, with De Lattre's support, resisted Bao Dai's efforts to limit his power. The new De Lattre-Bao Dai axis will apparently make a special effort to win t support of Vietnam's 1.5 million native Catholics, an effort which the Vatican has not publicly endorsed. The French Government has not taken a							
		position in favor of any particular form of government in Vietnam, and the question of republic versus monarchy has remained unresolved.							
	8.	CHINA. Tires leave Antwerp for China:							

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23/1	ves sels.
9.	KOREA. Domestic problems in South Korea: According to US mission personnel in Korea, the food, clothing and shelter situation in Seoul and environs is becoming extremely acute. With 1,500 refugees arriving in the area each week, shortages in food and clothing are approaching the "crisis stage." The quest for these basic needs "continues to preoccupy the 3.3 million people of Seoul and Kyonggi Province area."
25X6	In addition, "a serious wave of crime" has confronted civil authorities. These crimes mostly burglary are being committed by discharged crippled soldiers who find employment difficult to obtain. Public opinion has been aroused to such an extent that "proper measures to aid (them) has become a major issue" and a wounded soldiers association under a retired ROK major general is currently holding meetings in Pusan to discuss various means of aiding the disabled veterans.
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	Comment: The lack of an adequate efficient relief organization within the government, the grain shortage in the ROK's northern provinces, and the delay in implementing wide-spread UN relief activities will continue to create conditions favorable for such social disruptions.
10.	Pro-Rhee political group loses majority in National Assembly: The loose coalition of pro-Rhee political organizations the Republican People's Political Assembly (RPPA) lost its simple majority in the ROK National Assembly recently. Although the reduction to 86 seats leaves the coalition two short of a majority, the RPPA is reported currently
	maneuvering for li additional seats.

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Comment: While the reason for this loss to the pro-Rhee coalition was not reported, the lack of strong political parties in Korea frequently gives rise to changes of political allegiance by National Assembly members.

The RPPA, tarred with the brush of last spring's scandals, in actual practice never was able to exert sufficient influence in the Assembly to pass controversial pro-administration measures.

ber, the ROK Foreign Minister was questioned by the National Assembly on the subject of press reports that the Japanese chief delegate to the current Korea-Japan talks had been replaced by a Japanese "junior administrative official." The Foreign Minister replied that the "Japanese Government does not seem to be much interested in the Korean-Japanese conference" and had in fact sent a junior administrative official to the second meeting of the conference. He added, however, that this does not "debase" Korean national prestige, insofar as the second meeting was a procedural one.

Comment: An underlying national inferiority complex resulting from 40 years of total Japanese domination probably underlies Korean sensitivity in this first direct government-to-government contact.

12. Chinese "Volunteers" state their position in Korea: The response to three questions put to a "spokesman of the Headquarters of the Chinese People's Volunteers" by a North China News Agency correspondent "somewhere on the Korean front" states rather clearly the Chinese position in Korea.

In assessing the "victories" won by the Chinese "Volunteers" and their significance, it was stated that the Chinese entered the war "when the American armed aggressors were spreading the flames of war to the ... borders of our motherland." During the year "five large scale campaigns were carried out" which resulted in driving the "aggressors" from the Yalu to the "region along the 38th Parallel." The "basic reasons for (these) victories" are cited as being "a just war against imperialist aggression, in defense of the motherland, and to safeguard peace in Asia.."

In response to a question about the possible results of US "wrecking of the Korean cease-fire talks" and a continuation of US "aggression," the Chinese "spokesman" replied that, although "always in favor of a peaceful settlement," the Chinese will "beyond a doubt" deliver "blow after blow to the UN until its failure is final."

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Comment: This restatement of the Chinese Communist stand in regard to the Korean venture was timed to coincide with the reopening of the cease-fire talks.

JAPAN. Democrats to support both peace and security treaties: The People's Democratic Party has decided to vote for both the peace treaty and the US-Japan security pact in the coming Diet ratification proceedings.

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Comment: The Democratic Party previously has withheld its approval of the security pact, charging government secrecy on many of the provisions. Its decision to support both pacts virtually assures their ratification in both houses of the Diet.

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4. FRANCE. French more amenable to German NATO membership: The attitude of the French NATO Deputy Alphand and his counselor on the question of German membership in NATO has "softened" considerably in recent weeks. They feel nevertheless that early raising of this question might swing the balance against French ratification of the European Defense Forces treaty, which will be difficult to obtain in any event. Alphand expects the Germans to demand NATO representation soon, and he sees no logical basis on which to refuse the demand.

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Comment: In early September for the first time a French Foreign Office spokesman predicted that France would accept German participation in NATO, possibly in the summer of 1952, or some six months after the Germans agree to a defense contribution. Timing now seems to be the most important consideration and, since the Germans will probably accept unofficial assurances on eventual NATO membership, it is unlikely that they will adopt a stand which would threaten French ratification of the European Defense

5. AUSTRIA. Western High Commissioners agree to oppose quadripartite investigation of remilitarization: At a meeting on 23 October, the three

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Western High Commissioners decided to kill any plan for a quadripartite investigation of Soviet charges that the Western zones of Austria have been remilitarized. While conceding that the West is committed in principle to an investigating commission, the Western Commissioners agreed that the Soviet draft resolution to appoint such a commission unacceptably prejudges the issue.

At forthcoming meetings of the economic and military directorates of the Allied Commission, the West will propose in an alternative resolution an exhaustive list of Soviet installations which must be inspected; it is believed the Soviet element will be compelled to reject the list. The Western elements will then be prepared to dispose of the Soviet charges by asserting that the Allied Council is unable to obtain agreement on an investigating commission and that the Soviet Headquarters has submitted no convincing evidence of remilitarization in the West. To deprive the Soviet authorities of any propaganda advantages of a "pending investigation," an effort will be made to press the issue to a quick decision.

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Comment: The Western High Commissioners have been anxious to dispose of the Soviet charges because of their possible implications for the Austrian treaty talks. The West, however, has been reluctant to agree to quadripartite inspection, largely because the extended proceedings provide further opportunities for Soviet propaganda charges.

6. BELGIUM. Belgian study opposes Schuman Plan: The Belgian Administration of Mines has published an adverse report on Belgian participation in the Schuman Plan. Such participation would reduce Belgian coal production 75 percent; and Germany, as chief coal supplier, would then have the entire Belgian economy in its power. An important right-wing, independent newspaper, when publishing the Mines Administration report, also noted that the Confederation of French Employers had regarded the plan adversely.

Comment: Although this report cannot be considered as an official opinion, it probably will have an influence on government and parliamentary thinking. The Belgian Parliament will also be influenced by the anticipated action on the plan by the French Parliament in November. In France, the outlook toward inter-European commitments has become more favorable, because of the progress toward the European Defense Forces treaty.

7. Police confirm slight explosion at Belgian Communist headquarters:
The Belgian police have confirmed the report that a small bomb exploded at the Communist Party headquarters in Brussels on 18 October. There was some damage, but no one was injured. A Belgian soldier, recently returned from

Korea, has confessed to the incident. A prior bombing aimed against the Communists this year took place in March.
Comment: There is no indication that these sporadic attacks have been made at the direction of any Belgian organization, Communist or otherwise.
ITALY. Italians welcome US airfield and naval bases survey team: The Italians are giving full cooperation to the US team surveying Italian airfield and port facilities. In accordance with a request from the Commander in Chief, Naval Forces Eastern Atlantic and Mediterranean, the Sardinian survey is being extended, and a partial resurvey of Sicily is being undertaken with the objective of providing alternate naval and airfield installations for proposed US facilities in Bizerte.
Comment: The Italians hope that the US will establish large airfields in their country. However, under NATO plans, the Italian air force will be confined largely to tactical support of ground troops. This type of air activity will not require as large an airfield infrastructure as envisaged by the Italians.
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Comment: The statement of the Christian Democratic mayor is in line with the views of the Italian Government, which maintains that the tripartite declaration of March 1948, advocating the return of all Trieste

a good-neighbor relationship with the people of Yugoslavia and urged Americans to support the return of Trieste and Zone B to Italy.

Territory to Italy: The mayor of Trieste, appealing to the US over a "Voice of America" interview, said the Trieste problem lies with Zone B. He declared a quick solution of this problem would enable the Italians to enjoy

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to Italy, must be a point of departure for discussions with Yugoslavia.

However, in view of the Yugoslavs! insistence on their retention of Zone B and the obviously unfavorable effect this statement would tend to have on Yugoslav willingness to negotiate with Italy on Trieste, the mayor is probably expressing his own irredentist views, and not acting as the spokesman of the Italian Government.

12. VATICAN. Plans made for improved communications system: The Holy See published a decree recently announcing its participation in an international convention covering ocean fleets for states which have no seaports. The decree did not specify how many ships the Vatican intends to build or buy, but merely stated that the convention would cover "any ship carrying goods and passengers to or from the Vatican City state to or from any port abroad," and that the vessels would fly the Vatican flag.

A Vatican source also said that the Holy See was considering the establishment of an airport.

Comment: The uncertainty of the present international situation may in part have prompted the decision to acquire ships, which would allow the Vatican to evacuate its personnel, in the event of occupation of Italy, without recourse to the ships of any other country. The establishment of

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a merchant marine and air fleet would be another step in the modernization of the organizational apparatus of the Vatican, in which the present Pope appears particularly interested. In addition, the transportation of pilgrims to and from Rome might be a lucrative form of revenue for the Vatican.

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IRELAND. New organization will advocate entrance into NATO: The US Embassy in Dublin reports the establishment of an Ireland-American Society which will advocate more active Irish participation in the world struggle against Communism. Calling the traditional view that partition prevents Irish participation both unrealistic and futile, this group will suggest that Irish entrance into NATO might hasten the ending of partition. The fact that former External Affairs Minister Sean MacBride is a member of this group is considered interesting in view of his categorical statements in the US last spring that partition prevented Irish cooperation with the Western powers in their defense arrangements.

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Comment: This is the first known organization to give voice to widespread feeling that Ireland ought to be more active in international affairs,
but the government is not expected to abandon its neutrality policy any
time soon. So long as the partition question is involved no clear policy
commitment on Ireland's international role can be expected. MacBride may
have shifted his position in an effort to recoup his shattered political
fortunes.

17. NORWAY. Aluminum is an issue in Czechoslovak trade negotiations:

Czechoslovakia insists on obtaining aluminum in a trade agreement with Norway. The Secretary-General of the Norwegian Foreign Office believes that the export of a limited quantity of aluminum would be justified to avoid the political consequences of a breakdown of trade relations, resulting from Norwegian refusal to continue past trade patterns. Norway is therefore approaching COCOM for an exception to export aluminum, and is asking the US to alter its position that sugar, Norway's primary import from Czechoslovakia, is not a satisfactory quid pro quo for aluminum.

Meanwhile, the Norwegian trade delegation will propose a counteroffer making the aluminum exports contingent on Czechoslovak supply of laminated steel, which the Czechos claim is not for export, and thus make Czechoslovakia responsible for a breakdown of negotiations if it refuses.

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Comment: Norway has consistently opposed US efforts to have aluminum placed on International List I, on the grounds that Norway must export limited quantities, for which it obtains commodities constituting a clear advantage for Norway and the West. Although the Norwegian Government has advantage its negotiations with the USSR and Poland to limit strategic tried in its negotiations with the USSR and Poland to limit strategic exports, it has held out against stricter controls on aluminum, Norway's most plentiful and coveted bargaining lever.

18. TUNISIA. Nationalist petitions UN Trusteeship Council for self-rule: A "manifesto" requesting self-government for Tunisia has been submitted to the Assistant Secretary-General for Trusteeship Affairs in the UN by Habib Bourghiba, president of the Tunisian nationalist Neo-Destour party. Bourghiba later announced that negotiations were under way to organize a "national democratic regime" in Tunisia. He added that France's adamant stand against self-government had produced an "explosive situation."

Comment: Bourghiba has on several occasions petitioned a UN body to aid the nationalists in their campaign for independence. The accompaning publicity in this instance, however, results from the placing of the Moroccan question on the UN provisional agenda, which Bourghiba is attempting to exploit.

Latent anti-French sentiment among North Africans has been fanned by recent events; but there is still no indication that nationalism, whose following has been derived principally from the upper middle class native minority, has increased greatly in following or vigor. Lacking the means to revolt, the North African nationalists probably will attempt to gain their ends legally and peaceably.

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SECTION 2 (EASTERN)

1. EGYPT. King pessimistic over developments in Egypt: The Egyptian King informed the US Ambassador on 24 October that he was extremely pessimistic over developments and that it looked as if Egypt was "headed for real trouble from which only the Communists would profit." The King was bitter over British actions in the Suez canal zone, stating that the UK was making it impossible for him or any Egyptian government to accept a satisfactory solution of either the defense problem or the Sudan question. He stated that only the US was in a position to find reasonable solutions to the difficulties, and he urged that the United States and Britain do nothing to worsen the situation.

The King further advised the Ambassador that he had ordered Egyptian soldiers to resist any move to force them out of the canal zone. He also stated that, in a recent secret meeting, members of the fanatic Moslem Brotherhood had sworn to assassinate thirteen men, including himself and the Prime Minister. The King intimated that, while he favored Egypt's participation in an Eastern Mediterranean defense scheme, inflamed sentiment did not permit optimism.

SECTION 3 (WESTERN)

2. AUSTRIA. Government to request resumption of treaty negotiations: The US Legation in Vienna reports that the three Western High Commissioners understand that the Austrian Government will on 27 or 29 October request the US as chairman to reconvene the Austrian treaty deputies for a resumption of negotiations at the earliest opportunity. The move is calculated to give the Western governments an opportunity to call for a meeting of the treaty deputies on the occasion of the opening of the World Peace Council convention in Vienna and to demand a show of Soviet good faith and peaceful intentions.

With respect to specific tactics and to the sharp reaction of the French Foreign Office to the suggestion of an evacuation agreement, Minister Donnelly asserts that no one in Vienna, other than the French High Commissioner, has seriously proposed an Austrian settlement that did not contain specific provisions regarding German assets in Austria and Austrian independence. The French High Commissioner did offer such a suggestion some weeks ago, asserting that its principal merit was the absolute unlikelihood of its acceptance by the USSR. A similar proposal attributed to the Austrian Foreign Minister referred, Donnelly asserts, to a proposed title for the US-suggested abbreviated treaty.

Comment: The West is apparently pushing ahead a call for the resumption of negotiations prior to an agreement on Western strategy in order to take advantage

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of the favorable opportunities offered by the Soviet peace offensive in Vienna. The French have not relaxed their opposition to the abbreviated treaty proposal other than to consider it preferable to any idea of a simple evacuation-of-troops agreement. The French are believed to be clinging to the plan of making further concessions to the Soviet Government on the old draft treaty; in the event of Soviet intransigence, they may be prepared to accept a continuation of the status quo if this can be made palatable to the Austrians.

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